



STATE OF WISCONSIN
Department of Employee Trust Funds
Eric O. Stanchfield
SECRETARY

801 W Badger Road
PO Box 7931
Madison WI 53707-7931

1-877-533-5020 (toll free)
Fax (608) 267-4549
TTY (608) 267-0676
<http://etf.wi.gov>

CORRESPONDENCE MEMORANDUM

DATE: February 9, 2005
TO: Wisconsin Deferred Compensation Board
FROM: Shelly Schueller
Deferred Compensation Director
SUBJECT: Improper Trading Costs

The Board will be discussing the attached article from the February 2, 2005 *Wall Street Journal*, "Putnam May Owe \$100 Million," at the meeting on February 22, 2005.

This article provides information on the current situation at Putnam Investments, a mutual fund company that investigators say had employees as well as shareholders engaging in market timing and other improper trading practices. These practices raise fund transaction costs for everyone invested in the fund and reduce profits for long-term fund shareholders.

As part of its settlement with state and federal regulators, Putnam already agreed to pay \$110 million in penalties, which includes up to \$25 million for shareholder restitution. However, an independent consultant appointed by the Securities and Exchange Commission has estimated the final total of shareholder damages and restitution at \$100 million.

Putnam is one of many mutual fund companies under regulatory scrutiny for improper trading practices. Other companies include Alliance Capital Management, Janus Capital Group, Strong Financial and Pimco Advisors.

As part of your fiduciary responsibilities, the Board may need to consider the improper trading information contained in the article and evaluate whether or not contact should be made with Janus Capital Group to find out if similar studies are occurring and the total current estimate of shareholder damages requiring restitution.

Reviewed and approved by Dave Stella, Deputy Secretary

Signature

Date